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JUL 1946

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GENERAL

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1. US and UK representatives agree on Palestine--The US delegation to the joint US-UK talks in London on the Palestine problem have forwarded to the State Department the text of the agreement reached unanimously with the British committee. The agreement, which deals with both the emigration of European Jews from Europe and the re-settlement of a "considerable number" in Europe, provides for the division of Palestine into an Arab province; Jewish province; two districts under the central government in Jerusalem; and an uninhabited area in south Palestine. The plan also provides for a division of powers between the provinces and the central government. Every effort is to be made to complete the movement of 100,000 Jews into Palestine within a year after the movement begins.

2. Obstacles to Anglo-Egyptian treaty persist--Legation Cairo has been informed that continued disagreement between UK and Egyptian representatives over a Joint Defense Committee and the Sudan question probably will prevent final conclusion of the Anglo-Egyptian treaty before the Peace Conference. The Legation has been reliably informed that, in deference to Egyptian wishes, the British Governor General of the Sudan will be transferred to India before negotiations on the Sudan are initiated.

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3. British views on Germany--According to Harriman, British officials accept as legal the border changes which the French have made to enlarge the Saar area, presumably in preparation for its possible inclusion in the French economy. The changes in effect consolidate the Catholic population in a compact region. Harriman adds that certain influential circles in the UK have advocated the division of Prussia so that the British zone might contain a similar strong Catholic region which would have a "stabilizing" effect on German politics.

The Under-Secretary of the Foreign Office has told Harriman that Byrnes' proposal for the economic unification of two or more of the German zones has been "most enthusiastically" received by Foreign Office officials working on Germany and the USSR.

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**EUROPE-AFRICA**

4. **FRANCE:** Crisis possible over wage-price issue--An official of the MRP Party has informed Caffery of his belief that there may be a Cabinet crisis over the wage-price issue. The Cabinet has failed to agree on the recommendations of the National Economic Commission for wage increases and economic reforms; MRP Ministers are firmly opposed to the large increase proposed; and Communist Ministers are unable to back down. According to the MRP official, Bidault is considering making a plea to the country next Sunday to demonstrate that the recommended increases are impossible without an immediate inflationary effect on prices.
5. **GREECE:** Defense Minister aims to become "kingmaker"--According to US Ambassador MacVeagh in Athens, the impression is growing among local British observers that Defense Minister Mavromikhalis aims, through continued purges of non-Royalists from the armed forces, to assume the role of "kingmaker" and possibly to assume later a position similar to that of former dictator Metaxas under King George. However, the British feel that, if King George returns to Greece, he will attempt to broaden the base of his government rather than to support a dictatorial regime.
6. **IRAN:** Soviets rumored concentrating along north border--US Ambassador Allen reports that Soviet troops are rumored to be concentrating along the Soviet-Azerbaijan border. Allen has received no confirmation of the rumor, which he regards as an inevitable sequel to the report of British ships in Iranian waters (see Daily Summary of 22 July, item 6).  
Kurdish successes in Azerbaijan--US Military Attache Tehran reports that the Kurds are progressing successfully in their effort to control all the Azerbaijan area claimed by the "nascent Kurdish Republic." Azerbaijan "Democrat" morale is reported weakening, and an important Iranian general believes that the Soviets may have switched their support from the "Democrats" to the Kurds.

**FAR EAST**

7. **INDIA:** Nehru comments on interim government--Nehru  informed a member of the US Mission that the formation of an interim govern-

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ment with League and Congress participation prior to convening the Constituent Assembly is very doubtful. The basic reason for Congress rejection of the interim plan was the failure of the British to assure the proposed interim government sufficient authority. Nehru added that Communists are actively encouraging current strikes in India.

8. **CHINA: Soviets urge withdrawal of US forces--**High officials of the Soviet Embassy Nanking have privately told the US Naval Attache that US aid to China must cease, that US forces must be withdrawn, and that Soviet propaganda will be directed toward those objectives.

#### THE AMERICAS

9. **COLOMBIA: Conspiracy to overthrow President-elect reported--**US Ambassador Wiley reports that the Colombian National Police have learned of a plot to overthrow President-elect Ospina immediately after his inauguration on 7 August. The movement is allegedly sponsored by elements of the armed forces, whose ultimate goal would be to install Gaitan (defeated presidential candidate) as President. Wiley believes that such a coup is unlikely.

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